SPECIAL MEETING OF THE RETIREMENT BOARD OF THE COUNTY EMPLOYEES' AND OFFICERS' ANNUITY AND BENEFIT FUND OF COOK COUNTY AND EX OFFICIO FOR THE FOREST PRESERVE DISTRICT EMPLOYEES' ANNUITY AND BENEFIT FUND OF COOK COUNTY
33 N Dearborn St, Suite 1000
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Minutes for the October 31, 2016 Special Meeting of the Board

The County Employees' and Officers' Annuity and Benefit Fund of Cook County and the Forest Preserve District Employees' Annuity and Benefit Fund of Cook County are herein collectively referred to as the "Fund."

Call to Order and Roll Call

Trustees Present:	John Fitzgerald, Diahann Goode, Alexis Herrera, Andrew Jatico, Bill Kouruklis, Patrick McFadden, Joseph Nevius, Dennis White, Lawrence Wilson
Staff Present:	Nickol R. Hackett, Executive Director & CIO; Michael Maratea, Director of Finance and Administration; Gary LeDonne, Senior Policy Advisor; Margaret Fahrenbach, Legal Advisor; Brent Lewandowski, Senior Benefits Manager; Beverly Romanini, Office Manager; Fernando Vinzons, Sr. Investment Officer; Kwesi Quaye, Investment Analyst; Courtney Hollins, Communications Manager; Marina Sirot, Project Compliance Analyst
Others Present:	Mary Pat Burns, Burke Burns & Pinelli: Tony Johnson, RVKuhns Inc.; Ryan Sullivan, RVKuhns Inc.; Larry Langer, Buck Consultants

Trustee Herrera, President of the Board, opened the meeting for public comment and, no member of the public being present and requesting to address the Board, the next item of business on the Agenda was considered.

1. Presentation of Supplemental Liquidity Analysis Review

   Nickol R. Hackett, Executive Director & CIO, stated that the Fund's actuary, Buck Consultants, had discussed current strategies in the funding of public sector pension funds at the Board's meeting in May, 2015. The Board did not take any position on a funding policy at that time, but requested a liquidity study of the County Fund to assist in the Board's evaluation of appropriate funding policies

to be conducted by RVKuhns Inc. Larry Langer, of Buck Consultants, stated that while there is not a defined funding policy for public sector funds, generally contributions should cover the system's cost of benefits accruing for current employees plus an amount to pay down any unfunded liability over no more than thirty years. He added that the Fund's statutory funding methodology as required by the Illinois Pension Code, does not meet these standards and is not based on the actuarial needs of the Fund.

Ryan Sullivan and Tony Johnson, of RVKuhns, Inc., then presented the supplemental Asset/Liability Study of the County Fund based on various funding policy scenarios. The study was based upon four contribution policies, including the current statutory contributions required by the Illinois Pension Code, in conjunction with alternate investment strategies, to determine the ability of the County Fund to meet its future obligations. The study showed that under the current contribution policy, the County Fund will face substantial and increasing financial challenges over the next 20 years. While the continued diversification of the County Fund's assets pursuant to its Investment Policy is desirable, liquidity restraints in the next eight to ten years will limit the Board's ability to make investments in non-liquid assets, which will result in less favorable investment returns. Regardless of the investment strategy employed, the study concludes that it is almost certain that within 20 years the County Fund's benefit obligations will exceed its assets and expected contributions based on contribution policies in place. At that time, additional revenue will be necessary to sustain the County Fund's ability to make benefit payments. The studies provided that these liquidity concerns can be materially improved, but only if significant changes are made to the contribution policy.

2. Presentation and Funding Policy Review

Mr. Langer addressed the Board and noted that the past actuarial valuations prepared for the Fund have stated that the current statutory contributions provided by the Illinois Pension Code are insufficient to meet the Fund's actuarial needs and will ultimately result in its insolvency. He again stated that while there is no mandated funding policy within the public sector, GASB 25 and 27 provide for the payment of accruing benefits and the retirement of unfunded pension liabilities and have served as a 'de facto' funding policy for public plans. Mr. Langer stated that a funding policy should be based upon actuarially determined contributions and incorporate three elements: 1) an actuarial cost method, which would require contributions to fully fund the costs of long-term benefits promised to employees; 2) an asset smoothing method, which would recognize gains and losses in pension assets over a period of time to reduce the effects of market volatility and stabilize contributions and 3) an amortization policy to reduce unfunded pension liability. Mr. Langer acknowledged that the fixed contribution requirement provided by the Illinois Pension Code allows for efficiency in the budgeting process, but it does not require taxpayers to pay for the costs of promised pension benefits while the employees are providing their services. Instead, those costs will be paid by the taxpayers of future generations. It was the recommendation of the actuary that the Fund adopt a funding policy requiring the employer to make contributions based upon its actuarial needs.

3. October 26, 2016 Board of Commissioners Pension Committee Report

President Herrera stated that the Fund staff had appeared before Pension Committee of the Cook County Board of Commissioners on October 26, 2016, and made a presentation about the benefits paid and the revenue sources available to make those payments. Generally, since 2008, contributions

have remained flat and benefits have increased, necessitating the liquidation of investment assets on a quarterly basis in order to meet benefit payments. The additional revenue provided in 2016 pursuant to the Intergovernmental Agreement between the County Fund and the County, helped to limit the need to liquidate investments in order to make the required benefit payments.

The Trustees complemented the Fund staff about the presentation and recommended that Board members who had not done so already, to view the meeting and presentation online.

4. Review and Consideration of Inter-Governmental Agreement

Mary Pat Burns, Fund counsel, addressed the Board about the status of an Intergovernmental Agreement ("IGA") with the County for 2017 which would provide additional funding. Ms. Burns said that the County Fund had received $178 million under the IGA in 2016 and that the balance of $92.5 million was expected. She stated that the Fund had received a draft of a proposed IGA for additional funding in 2017 from the County for the Board's consideration. Ms. Burns stated that she and the Fund staff believed that the Board should advocate for a multiyear IGA to provide for additional revenue for the County Fund and should also propose other modifications to the County's proposal. Ms. Burns added that the IGA does not provide for additional revenue for the Forest Fund and that a draft letter to the Forest Preserve District of Cook County Board of Commissioners had been provided for the Board's review.

The trustees discussed the proposed IGA, the need for additional funding and the appropriate response to the County's proposed IGA. Trustee White requested additional review of the Forest Preserve District letter and requested the matter to be deferred to the next Board meeting.

It was moved by Trustee Goode and seconded by Trustee Fitzgerald that the Board authorize the Executive Director and Fund counsel to deliver the proposed modifications to the IGA, including the request for a multiyear agreement, and to further authorize the Executive Director and Fund counsel to negotiate the terms of an IGA with the County, subject to the Board's final approval.

Roll Call Vote:
AYES: Goode, Fitzgerald, Herrera, Jatico, Kouruklis, McFadden, Nevius, White, Wilson
NAYS: None

Vote Result: MOTION ADOPTED

5. Adjournment

It was moved by Trustee Goode and seconded by Trustee Kouruklis that the Special Board Meeting be adjourned.

Vote Result: MOTION ADOPTED UNANIMOUSLY BY VOICE VOTE